

**Mirror Group plc  
and  
Midland Independent Newspapers plc**

A report on the proposed transfer to Mirror Group plc of  
the newspapers of Midland Independent Newspapers plc



MONOPOLIES AND MERGERS COMMISSION

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A report on the proposed transfer to  
Mirror Group plc of the newspapers of  
Midland Independent Newspapers plc

**Presented to Parliament by the Secretary of State for  
Trade and Industry by Command of Her Majesty  
October 1997**



## **Members of the Monopolies and Mergers Commission as at 24 September 1997**

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Mrs D P B Kingsmill (*Deputy Chairman*)  
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Miss P A Boys (*Secretary*)

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<sup>1</sup>These members formed the Group which was responsible for this report under the chairmanship of Mr P G Corbett, together with Mr G H C Copeman and Mr T R C Willis, whom the Secretary of State appointed from the Newspaper Merger Panel.

## **Note by the Department of Trade and Industry**

In accordance with section 83(3) and (3A) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest, or which she considers would not be in the public interest to disclose and which, in her opinion, would seriously and prejudicially affect certain interests. The omissions are indicated by a note in the text.

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Part I

# **Summary and Conclusions**

# 1 Summary

1.1. We were asked by the Secretary of State for Trade and Industry, on 10 July 1997, to investigate and report on whether the proposed transfer to Mirror Group plc (Mirror Group) of the newspapers published by Midland Independent Newspapers plc (MIN) and listed in our terms of reference (see Appendix 1.1) may be expected to operate against the public interest.

1.2. MIN publishes 38 regional or local newspapers: one morning daily newspaper, two evening dailies, one Sunday newspaper, five other paid-for weeklies, 28 free weeklies and one free monthly. It also publishes two weekly sports-orientated newspapers, the *Sports Argus* and *The Pink* which it regards as final Saturday editions of its evening newspapers, the *Birmingham Evening Mail* and the *Coventry Evening Telegraph*. MIN's morning daily, *The Birmingham Post*, and its two evening dailies circulate mainly in the area around Birmingham and Coventry. MIN's Sunday newspaper circulates over a wider area of the West Midlands, and its other weeklies are published in a range of Midlands locations as far east as Peterborough and as far north as Derby. MIN publishes no national newspapers.

1.3. MIN was formed in 1991 in a management buyout. It has since acquired further titles and diversified into other activities, including exhibition organization and non-print media, but was outbid in recent attempts to acquire other newspaper businesses and itself became the subject of bid speculation.

1.4. Mirror Group was acquired from Reed International plc by companies controlled by the late Robert Maxwell and his family. Following Robert Maxwell's death in 1991 the management of the company was restructured and shares held by the Maxwell family companies were sold. Mirror Group now has a range of institutional shareholders and interests in newspapers, magazines and television. It publishes a number of newspapers circulating UK-wide including *The Mirror* and *Sunday Mirror* and two large circulation Scottish titles, the *Daily Record* and *Sunday Mail*. It also publishes newspapers in Northern Ireland and has a major shareholding in the publishers of *The Independent* and *Independent on Sunday*. Mirror Group publishes no regional or local newspapers in England or Wales.

1.5. MIN and Mirror Group saw a merger as an attractive option for both sides providing economies of scale and other operational efficiencies and giving MIN access to finance for investment and expansion. They announced on 4 July 1997 that they had agreed terms for Mirror Group to make an offer for the MIN business valuing it at £297 million.

1.6. Measured by shares of circulation and distribution, Mirror Group is the second largest publisher of newspapers in the UK and the transfer would not change that position. Nor would it change the present level of concentration in the ownership of national newspapers.

1.7. Mirror Group's ranking among publishers of regional and local newspapers depends substantially on the classification of its major Scottish titles which share some of the characteristics of national newspapers. If they were to be regarded as national titles, Mirror Group would continue to be a relatively small publisher of regional and local newspapers with the

proposed transfer raising its overall share to around 7 per cent. If the Scottish titles were counted as regional newspapers, the transfer would make Mirror Group the largest publisher of regional and local newspapers in the UK with a 13.3 per cent share. However, Mirror Group's regional and local newspapers would provide relatively dispersed coverage of the UK, being confined to Scotland, Northern Ireland and the Midlands of England; and there would be a strong commercial imperative on Mirror Group to continue to offer editorial content and opinion reflecting the distinct interests of the communities in each of these areas. In our view, common ownership of the newspapers serving these areas would not represent a serious risk to diversity of opinion in the UK as a whole and we do not therefore consider that the proposed transfer would lead to a degree of concentration at national level which would adversely affect the public interest.

1.8. In the region served by MIN's newspapers, the transfers would have no effect on concentration in ownership of either national newspapers or regional and local newspapers taken separately. We have, however, considered the effect of bringing MIN's newspapers into common ownership with the regional editions of Mirror Group's national titles.

1.9. Mirror Group's share of newspaper circulation and distribution in the region would rise from around 12 per cent to 29 per cent; and in MIN's core area around Birmingham and Coventry, the combined group would have a 48 per cent share of the daily newspaper market. However, the differences between the regional editions of Mirror Group's newspapers and MIN's titles in terms of readership profiles, times of publication and the level of regional or local content are such that we believe the degree of competition between them to be, overall, very limited; and where such competition exists, it would not in our view be in Mirror Group's commercial interest to alter the position by changing the editorial or commercial policy of the titles concerned. We are therefore satisfied that the transfers would not have an adverse effect on competition and choice as far as either readers or advertisers are concerned.

1.10. We have also considered the concerns of MIN's competitors that the combined group would be in a strong position to use low cover prices or advertising rates to weaken them. We accept that the transfer is likely to lead to economies of scale and other efficiencies which could result in more competitive cover prices or advertising rates. But we have no evidence to lead us to believe that the combined group would be more likely to use cover prices or advertising rates deliberately to undermine competitors than is the case for MIN or Mirror Group at present. Nor are we persuaded that any price cuts resulting from cost savings are likely to be such as to pose a threat to the existence of effective competition.

1.11. As to diversity of opinion, we have no reason to doubt Mirror Group's commitment to the continued publication of regional and local newspapers in the Midlands region; and we believe it would not be in Mirror Group's commercial interests to impose the opinions of its national newspapers on those published by MIN. Moreover, even if this were to happen, diversity of opinion in the area in which MIN's newspapers are published would continue to be served by the newspapers of a significant number of independent publishers of national, regional and local newspapers in and around the area.

1.12. Mirror Group told us that its general approach to the editorial policy of its regional and local newspapers was to agree a commercial brief for each newspaper but to give editors freedom to maintain and develop the local character of their titles provided that their profile and content reflected and were in keeping with the views of the communities they served. Mirror Group already controls newspapers covering a wide spectrum of opinion and we received no evidence to cast doubt on the editorial independence of these newspapers. We took account of journalists' concerns about Mirror Group's plans to use new technology to change the way they operate but we saw nothing exceptional in these plans and found that MIN was, in any event, thinking along similar lines independently of the proposed transfer. We do not

believe that the transfer would threaten the accurate presentation of news or free expression of opinion.

1.13. Nor do we believe that the consequences of the proposed transfer for efficiency and employment would be against the public interest. We have taken into account concerns expressed to us about the distribution policies of national newspapers but we do not believe that the present transaction would change the situation one way or the other and we do not expect it to operate against the public interest in so far as it had an impact on retail newsagents.

1.14. We have also taken note of the fact that funding of the transfer could raise Mirror Group's gearing to 117 per cent but, having regard to the arrangements which Mirror Group has put in place for this purpose, we are satisfied that this does not give cause for concern.

1.15. We conclude therefore that the proposed transfer may be expected not to operate against the public interest.